4/2/85 U4110-1

Conservative Growth Continues into the New Year

Modest improvement was made in the Pennsylvania economy in January; declines in job levels and contract construction awards were less than the usual seasonal drops, and orders for steel mill products finally began to improve.

Employment typically declines from December to January as the temporary holiday work force is laid off and the colder weather slows construction activity.

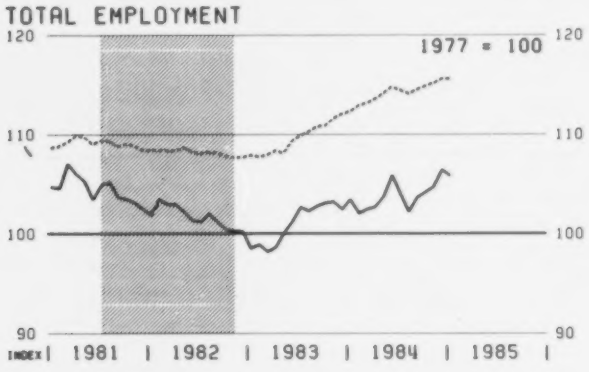
Both the survey of households and the survey of business establishments show employment declines in the state last January. But while the household survey shows a more than seasonal decline in the number of employed Pennsylvanians, the establishment survey shows a slightly less than seasonal decline in nonfarm industry jobs.

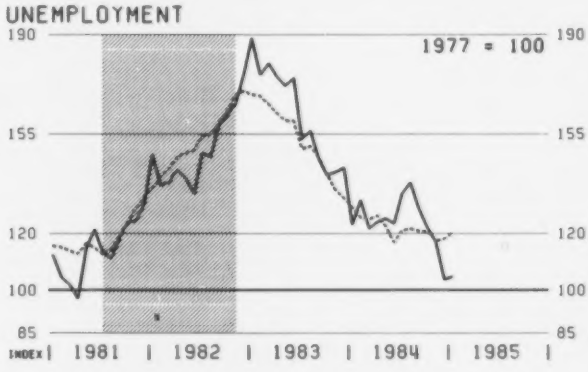
Differences occur in the two surveys because of their different sampling frames. The household survey, although based on a smaller sample, reflects a larger segment of the population. The establishment survey excludes agriculture, the self-employed and private household workers.

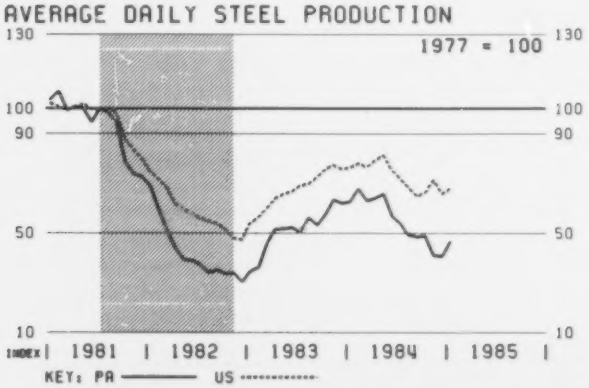
The household survey's more than seasonal decline in employment is probably a statistical adjustment of its overstrong showing in December. The 0.7 percent drop in the seasonally adjusted level of total resident employment in January follows a 1.6 percent gain in December. Furthermore, the seasonally adjusted unemployment rate, derived from the household survey, fell a whole percentage point in December but rose only 0.1 of a percentage point in January.

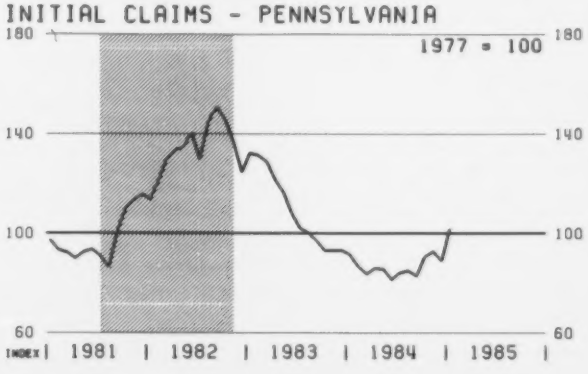
The January household data show much improved employment conditions from a year earlier. Total employment was 2.2 percent higher in January than in the same month a year earlier, and the seasonally adjusted unemployment rate was down to 7.7 percent from 9.1 percent.

The establishment survey shows employment declines in all major nonfarm industry groups, except mining and wholesale trade. The declines were led by drops of 37,600 employees in retail trade establishments, 17,400 construction workers, and 15,800 persons working in the various service industries, including 8,100 education









PENNSYLVANIA BUSINESS SURVEY

College of Business Administration The Pennsylvania State University **March 1985**

Economic Activity in Pennsylvania	1984-85 Dec.	1984-85 Jan.	1984 Jan.	Seasonally Adjusted Indexes (1977 = 100) 1984-85 Dec.	1984-85 Jan.	1984 Jan.
Pennsylvania Industries						
All nonagricultural industries						
No. of wage and salaried jobs (thous.)[1]	4,730.	4,633.	4,509.	102.7	103.2	100.6
Nonmanufacturing						
No. of wage and salaried jobs (thous.)	3,612.	3,522.	3,402.	111.1	111.5	107.8
Manufacturing						
No. of wage and salaried jobs (thous.)	1,109.	1,101.	1,105.	82.6	83.1	83.4
Ave. wkly. hrs. worked by prod. workers	40.3	39.3	39.9	101.4	100.0	101.6
Total wkly. person-hours worked (mils.)	30.7	29.6	30.3	79.7	78.6	80.3
Total wkly. payroll (mil. dols.)	290.9	279.7	278.5	127.7	126.4	125.7
Steel production (thous. tons)	755.	994.	1,339.	41.	46.	63.
Industrial electric power sales (mil. kwh)	3,385.	3,458.	3,655.	95.	94.	99.
Mining						
Anthracite coal (thous. net tons)	293.	298.	284.	61.	67.	66.
Bituminous coal (thous. net tons)	4,278.	n.a.	5,609.†	64.	n.a.	82.†
Construction contracts awarded (mil. dols.)						
Total	393.3	346.1	361.2*	146.	164.	162.*
Residential building	125.9	124.6	91.0*	128.	193.	142.*
Other building	153.1	168.1	172.7*	162.	170.	182.*
Nonbuilding (utilities and public works)	114.3	53.4	97.4*	157.	98.	172.
Employment of Pennsylvania Residents						
Employed, no. of persons (thous.)	5,140.	4,946.	4,840.	106.4	105.6	103.4
Unemployed						
No. of persons (thous.)	405.	468.	542.	103.9	105.1	123.1
Rate (percentage of labor force)	7.3	8.6	10.1			
Rate, seasonally adjusted	7.6	7.7	9.1			
Civilian labor force, no. of persons (thous.)	5,545.	5,414.	5,382.	106.3	105.8	105.1
Initial claims for unemployment benefits	172,723.	212,971.	192,531.	89.1	101.8	91.7

Consumer Prices, all items	Urban Indexes (1967 = 100) 1984-85 Dec.	1984-85 Jan.	1984 Jan.	Percentage Change Month Ago	Year Ago
U.S. city average	315.5	316.1	305.2	+0.2	+3.6
Philadelphia	305.1	306.3	294.4	+0.4	+4.0
Pittsburgh	322.1	n.a.	314.3†	n.a.	+2.5
Northeast PA	n.a.	301.5	291.0	n.a.	+3.6

NOTES: Data on employment, payrolls and hours have been revised to first quarter 1984 benchmarks.
[1] Total includes workers on strike. * = figure revised † = figure for December 1983 n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

workers. However, these declines were typical for the time of year.

The only major nonfarm industry groups with more than seasonal drops in employment were transportation services and government. The decline in government employment was concentrated in state and local education jobs, which fell by 11,600 workers. The losses in both private and public education employment are expected to be regained when the new school terms start.

Mining employment was unusually low in the fourth quarter of 1984 because of reduced demand for coal as users wore down stockpiles built up in anticipation of a strike by the United Mine Workers. But coal production started to improve in December. The seasonally adjusted level of bituminous coal mined in the state jumped 22.6 percent that month. (January's data had not been released at the time of this writing.)

The increased production brought workers back into the mines and onto the payrolls. The number of mining jobs in Pennsylvania rose a seasonally adjusted 5.3 percent in January.

The increase in wholesale trade employment was concentrated in durable goods and may be related to January's revival in steel production. The seasonally adjusted average daily production of steel in the state rose 14.3 percent in January. This increase was only the second in an eight-month period.

The state's share of total domestic production rose to 14.2 percent in January from December's 12.6 percent but was still below the 15.5 percent average of last year.

Although the decline in overall manufacturing employment in January was short of the usual seasonal decline, the number of hours worked in the state's factories declined more than expected.

Total weekly person-hours worked declined in both durable and nondurable goods factories, bringing payrolls

Continued on back page

Income Gains Moderate in Third Quarter

Pennsylvania Trails Nation in Most Sectors

Incomes continued to rise in the third quarter of last year, but at a slightly lower rate than in the first two quarters. Total personal income in Pennsylvania rose 1.8 percent at a seasonally adjusted annual rate in the third quarter, compared to increases of 2.1 percent and 2.5 percent in the first and second quarters, respectively.

Personal income is current income received by persons from all sources — that is, from participation in production, from government and business transfer payments and from government interest.

Nonfarm personal income increased in all 50 states in the third quarter. Pennsylvania's quarterly increase of 1.7 percent was exceeded by 28 states while the state's over-the-year increase of 7.9 percent ranked only 43rd.

Because farm income is subject to erratic changes, it is preferable to use nonfarm personal income rather than total personal income to track current economic developments across the states.

The third-quarter percentage increase in current-dollar personal income exceeded the increase in consumer prices and therefore represented a gain in purchasing power and economic well-being. Consumer prices, as measured by the implicit price deflator for personal consumption expenditures, rose 1.0 percent.

Payroll declines of 1.5 percent in durable goods manufacturing, 1.2 percent in mining and a slight 0.2 percent in retail trade kept the growth rate in labor and proprietors income in Pennsylvania one-half percentage point below the national increase of 1.7 percent.

Pennsylvania's quarterly percentage increases in construction, nondurable goods manufactures and government payrolls were significantly higher than the nation's. But the only major industry group in the state with both quarterly and over-the-year percentage gains in income greater than the national average increases was the finance, insurance and real estate group.

While gains in labor and proprietors income moderated in the third quarter, income from dividends, interest and rent continued to rise at an increasing rate. Income from these sources rose 4.4 percent in the third quarter in both the state and the nation, after rising 3.5 percent and 4.1 percent for both areas in the first and second quarters, respectively.

Gains in transfer payments were conservative at 0.5 percent in Pennsylvania and 0.8 percent in the nation. The difference was due to Pennsylvania's greater percentage decline in state unemployment insurance disbursements.

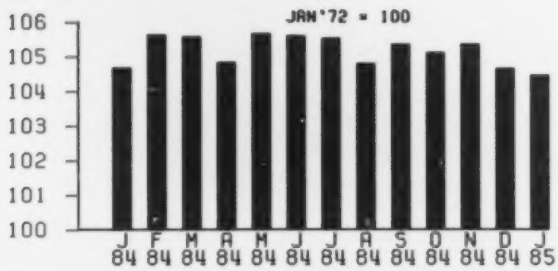
— Norma I. Gavin

Personal Income by Major Source, Seasonally Adjusted at Annual Rates — Pennsylvania and the United States

	Pennsylvania			United States		
		Percentage Change			Percentage Change	
	1984 III (mil. dols.)	Quarter Ago	Year Ago	1984 III (mil. dols.)	Quarter Ago	Year Ago
Labor and proprietors income by place of work	102,347	1.3	8.3	2,160,485	1.7	10.2
By type						
Wage and salary disbursements	84,990	1.2	7.3	1,807,906	1.5	8.8
Other labor income	10,562	1.2	11.2	198,008	2.4	12.6
Proprietors income	6,795	1.9	17.8	154,571	3.1	25.2
By industry						
Farm	875	10.9	61.1	39,243	10.4	68.0
Nonfarm	101,472	1.2	8.0	2,121,242	1.5	9.5
Private	87,813	0.9	9.1	1,767,809	1.5	10.1
Ag. serv., for., fish., and other	263	5.2	5.2	8,890	4.8	6.4
Mining	1,443	-1.2	17.2	36,258	1.9	14.5
Construction	5,032	3.2	7.7	116,425	1.2	11.2
Manufacturing	30,083	-0.5	9.7	513,783	1.0	9.8
Nondurable goods	10,770	1.5	5.8	186,423	0.3	6.3
Durable goods	19,313	-1.5	12.0	327,360	1.4	11.9
Transportation and public utilities	7,754	1.2	9.1	166,385	2.3	11.0
Wholesale trade	6,300	2.5	9.8	144,917	2.4	10.5
Retail trade	8,968	-0.2	4.4	202,942	0.5	7.2
Finance, insurance, and real estate	6,065	2.3	12.6	140,829	2.0	10.7
Services	21,905	2.0	9.3	437,382	1.9	10.8
Government	13,660	3.2	1.3	353,434	1.5	6.4
Federal, civilian	3,538	2.0	3.6	78,524	1.1	3.4
Federal, military	634	1.3	12.4	37,138	0.3	6.9
State and local	9,488	3.8	-0.2	237,772	1.9	7.4
Total personal income	148,398	1.8	8.1	3,032,708	2.1	10.2
Nonfarm personal income	147,523	1.7	7.9	2,993,465	2.0	9.7
Net labor and proprietors income[1]	95,088	1.3	8.3	2,026,987	1.7	10.2
Dividends, interest and rent	28,101	4.4	14.7	586,636	4.4	15.2
Transfer payments	25,209	0.5	0.9	419,085	0.8	3.8

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System, January 1985.
[1] Total earnings by place of work less personal contributions for social insurance and plus an adjustment for residence.

Pennsylvania Composite Index of Leading Indicators



down from the previous month's level and just slightly above the level one year earlier. After adjustment for inflation, total weekly payrolls in manufacturing industries were 3.1 percent lower in January of this year than in the same month last year.

The sluggishness in the state's manufacturing industries was reflected in the level of industrial electric power sales. January's increase in this measure was just short of the usual seasonal rise, bringing the level of sales 4.3 percent below where it stood one year earlier.

Awards for contract construction were also not as strong in the first month of 1985 as they were one year earlier. The value of all construction contracts awarded in Pennsylvania was 4.2 percent below the value of contracts awarded in January 1984.

The biggest drop was in the nonbuilding (utilities and public works) category; these awards were little more than half their January 1984 value. However, because of the volatile nature of nonbuilding awards, they could very well bounce back up in the following months.

At the same time, awards for the construction of commercial and industrial buildings dropped a modest 2.7 percent while residential building awards leaped 36.9 percent above the year-earlier figure and, after seasonal adjustment, registered an all-time high.

The gain in seasonally adjusted residential awards partially offset the negative influence on the Pennsylvania Index of Leading Indicators of the drop in the average length of the factory workweek and the rise in initial claims for unemployment compensation. The index fell a modest 0.2 percent in January, after falling 0.7 percent in December.

New claims of unemployment insurance typically rise in January because it is the first month of both the quarter and the calendar year when many layoffs take place. This January's increase was larger than usual and brought the seasonally adjusted index of initial claims up to its highest level since July 1983.

The insured unemployment rate — the percentage of all insured workers receiving unemployment benefits — rose to 5.6 percent in the week ending January 26, up from 4.7 percent in the week ending December 29. The increase brought Pennsylvania back on the list of the 10 states with the highest rates.

— Norma I. Gavin

PENNSYLVANIA BUSINESS SURVEY

March 1985 Vol. 26, No. 3

Published monthly by the Center for Research of the College of Business Administration, 103 Business Administration Bldg. II, The Pennsylvania State University, University Park, PA 16802. Subscription rate: $6.00 a year. (ISSN 0031-4382)

Eugene J. Kelley, Dean of the College
Paul H. Rigby, Assistant Dean and Director of the Center for Research
Rodney A. Erickson, Director of the Pennsylvania Economic Analysis Program and Associate Director of the Center for Research
Norma I. Gavin, Editor
Doris Bickle, Staff Assistant
Valeria J. Martin, Office Manager
Sheri A. Coval, Subscription Coordinator
Robert C. Ferrara, Graduate Assistant
Shahab Gerami, Graduate Assistant

The content of this publication is not copyrighted and may be reproduced freely, but acknowledgement of source will be appreciated.

PENNSYLVANIA BUSINESS SURVEY
Center for Research of the
College of Business Administration
The Pennsylvania State University
University Park, PA 16802

Nonprofit organization
U.S. postage paid
The Pennsylvania State University

ADDRESS CORRECTION REQUESTED *

018-01-03331
CONGRESSIONAL INFO SERVICES
DEPARTMENT SRI
4520 EAST-WEST HIGHWAY
BETHESDA MD 20814

U.Ed. 85-796